

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	CC Docket No. 96-45
Federal-State Joint Board on	)	
Universal Service	)	

**REPLY COMMENTS OF VERMONT PUBLIC SERVICE BOARD  
ON FURTHER NOTICE OF PROPOSED RULEMAKING**

On October 16, 2003 the Commission issued a Further Notice of Proposed Rulemaking (“FNPRM”) concerning universal service.<sup>1</sup> The Vermont Public Service Board (“Vermont Board”) is pleased to have the opportunity to submit the following reply comments.

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<sup>1</sup> FCC No. 03-249 (released on October 27, 2003).

**I. LOCAL MEASURED SERVICE CHARGES ARE A SIGNIFICANT FACTOR IN THE TOTAL CONSUMER BURDEN OF OBTAINING UNIVERSAL SERVICES.**

In original comments filed last month, the Vermont Board identified a number of measurement problems with the Commission's proposed use of local exchange rates as a basis for additional or supplemental federal universal service support. One of those problems concerned the method by which the Commission would measure local rates in areas where local measured service charges are imposed. We commented that assumptions underlying the Commission's published data in its *Reference Book* underestimated actual local usage and thereby underestimated the burden of local measured service payments by customers. We also commented that inaccurate or approximate data collection methods could inadvertently establish an incentive for high-cost states to abandon local measured service rate designs in favor of flat-rated local calling. We also observed that the Commission could avoid these difficulties by using a single measure of customer effort from available data: total carrier intrastate revenues per access line.

Since filing initial comments last month, the Vermont Board has collected additional information. It confirms our assessment of the importance and scope of the problem with local measured service revenues.

**A. The Commission Should Not Underestimate Local Usage**

The Vermont Board has collected local usage information from Verizon-Vermont and from three independent telephone companies. In both cases the data confirm the assertion in our original comments that the method used in the *Reference Book* would underestimate local usage and hence local usage charges. As noted in our original comments, the *Reference Book* assumes

that residential customers make an average of 100 calls per month (3.3 calls per day) and use the phone a total of 500 minutes per month (16.7 minutes per day).<sup>2</sup>

### **1. TDS Usage Data**

The Vermont Board has collected local usage information from the Northfield Telephone Company and the Perkinsville Telephone Company. Both are owned by TDS, and together they comprise a reasonable sample of rural Vermont customers.<sup>3</sup> The data describe usage in April, May and June of 2003, and describe both residential and business lines.

On average, TDS customers during the reporting period used their telephones for local calls 1,169 minutes per month, or 39 minutes per day. This is more than double the residential usage assumed in the *Reference Book* of 16.7 minutes per day.<sup>4</sup>

The Northfield/Perkinsville data also show that customers vary considerably in their usage patterns. Many rural customers use the telephone sparingly. Forty-two percent of Northfield/Perkinsville customers use between 0 and 300 minutes of local usage per month. Even within this group, the data are apparently skewed toward the low end. Since the mid-point of the usage band, 150 minutes, is well above the mean usage of 120 minutes, one can infer that even within this low-usage band, a substantial number of customers use the telephone very sparingly.

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<sup>2</sup> All per-day calculations here assume a month of 30 days.

<sup>3</sup> Northfield Telephone serves a small town with a private college. Perkinsville Telephone serves a quite rural area that is adjacent to a larger town, Ludlow.

We also collected, but have not used, data from Ludlow Telephone Company, a third Vermont TDS company. Ludlow is unique because it is the home of a major ski area. Many of Ludlow's access lines are subscribed to second homes and condominiums associated with the ski area. This kind of housing is often vacant, particularly in April, May and June when the TDS calling data were collected. For this reason Ludlow data have been excluded from this analysis.

<sup>4</sup> Some of this difference may derive from the inclusion of business lines in the reported TDS data, but that factor seems very unlikely to explain such a large difference.

At the other extreme, many customers appear to use their telephones intensively for local calling. Twenty-nine percent of the customers in Northfield and Perkinsville use their telephones at least 901 minutes per month. Within this usage band, the average usage is 3,318 minutes per month, almost two hours per day. Because this mean is more than three times the minimum value in this band, the upper tail on the distribution is apparently very long. In other words, a significant number of customers apparently use their telephone much more than two hours per day for local calling.

The TDS data confirm, for the customers of independent telephone companies, that the local usage assumptions in the *Reference Book* significantly underestimate actual usage. Therefore a support distribution mechanism based on the same data would be highly likely to provide insufficient support wherever customers must pay local measured service charges.

## **2. Verizon Usage Data**

In our January comments, the Vermont Board observed that, based upon 2002 ARMIS data, Verizon-Vermont customers used substantially more local service minutes than was assumed by the *Reference Book* method. We now have supplemental information directly from Verizon, relating to March of 2002. It is shown in the following table.

		Verizon-Vermont	
		Per ARMIS (CY 2002)	New Data (March 2002)
Calls per day	3.3	5.9	5
Minutes of use per day	16.7	49	42

As did the TDS data, these Verizon data confirm the conclusion expressed in our original comments. The *Reference Book* assumptions about usage substantially underestimate the actual local usage of Vermont customers.

**B. Local Measured Service Charges Significantly Affect the Comparability and Affordability of Local Service.**

The Vermont Board has also collected local measured service revenue data from the independent local exchange carriers in Vermont. The following table shows the average monthly revenue collected in 2002 through LMS charges by nine independent telephone companies that serve approximately 65,000 Vermont access lines, or about 15 percent of the Vermont total. All data are from calendar 2002 operations.

	Monthly LMS Revenue per line
Franklin Telephone	\$2.63
Ludlow Telephone <sup>5</sup>	\$2.61
Northfield Telephone <sup>6</sup>	\$5.88
Northland /Fairpoint	\$7.51
Perkinsville Telephone <sup>7</sup>	\$6.52
Shoreham Telephone	\$11.89
Topsham Telephone	\$8.19
Vermont Telephone	\$4.83
Waitsfield/Champlain Valley	\$8.94
Weighted Average	\$6.77

These data show LMS charges to be a major ingredient in the overall burden on Vermont customers when purchasing the services supported by federal universal service mechanisms.

LMS charges for these nine companies amounted to an average of \$6.77 per line per month.

This equates to 26 cents of every dollar of local service revenue.

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<sup>5</sup> As noted above, Ludlow Telephone has a high percentage of lines installed in second homes, and has an unusually high percentage of customers who use their telephones 300 minutes per month or less. Ludlow Telephone has an unlimited local residential usage plan available for \$39.00 and an unlimited local business usage plan available for \$48.00.

<sup>6</sup> Northfield Telephone has an unlimited local residential usage plan available for \$41.00 and an unlimited local business usage plan available for \$50.00.

<sup>7</sup> Perkinsville Telephone has an unlimited local residential usage plan available for \$39.00 and an unlimited local business usage plan available for \$48.00.

## II. CONCLUSION

If the Commission still desires to go forward with this new rate-based method of calculating support, it must develop a reliable measure of the burden actually faced by a customer who must pay LMS charges. As we said in our original comments, using per-line revenue data (total intrastate revenue per access line) as a proxy for rates can simply and easily solve this problem. However, if the Commission insists upon using rates, not revenues, it must take adequate account of LMS charges. As shown above, local usage is substantially greater than the usage assumed by the *Reference Book*. Using the low usage values underlying the *Reference Book* data, rather than actual local usage and actual LMS charges, is not a reliable way to estimate the burden of LMS charges.

The Commission should not adopt a local rates measurement that oversimplifies or minimizes the effects of local measured service charges. A method of estimating rates that is insufficiently sensitive, such as the method used in the *Reference Book*, would:

- 1) deprive of sufficient support those customers who actually have a heavy burden in paying for universal services;
- 2) waste financial resources on customers who actually have a low universal service burden; and
- 3) create an improper financial incentive for state commissions to change intrastate rate designs so as to increase federal support.

February 13, 2004

Respectfully submitted,

/s/  
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